



Resolution of the Board of Directors
Of
Heber Light & Power Company
2015 Fiscal Year Operating Policies

WHEREAS, Heber Light & Power Company (HL&P) desires to adopt a yearly operating policy that supports and provides direction and flexibility for the ongoing operation of the Company and;

WHEREAS, HL&P's Organization Agreement and By-Laws require that the Board of Directors approve an annual Operating and Capital Budget and associated expenditures and;

WHEREAS, HL&P will utilize this operating policy in conjunction with existing Company policies to conduct its business.

BE IT RESOLVED, the HL&P Budget for the fiscal year ending December 31, 2015 will be based on the following Board policies.

REVENUE RECOVERY:

The 2015 Budget estimates revenue from all sources.

1. Electricity Revenues

Electricity revenues are projected using load and customer growth estimates. Distribution system losses are also considered when determining total revenues and such losses are allocated to each rate class based on the rate class's historical percent of the total revenue from sales.

2. Miscellaneous Revenue Items

Heber Light & Power generates additional revenues from sources other than electricity sales that will be reflected in the Budget. These revenues are reflected in fees charged to connect to the system, penalties for late payments, interest earned on depository accounts, third-party attachment fees, and other irregular activities.

3. Impact Fees

In an effort to accommodate growth to the system, Heber Light & Power collects impact fees from customers attempting to add new service to the system. These fees are based upon the estimated amperage that will be added to the system and are collected prior to the issuance of a building permit.

4. Capital in Aid of Construction

As businesses and individuals attempt to develop new areas within the Heber Light & Power service territory, efforts are undertaken by the Company to connect these developments to the existing system. The entity doing the development will pay, to the Company, the costs incurred by the Company to complete the connection.

5. Street Lighting

Currently, Heber Light & Power provides the energy for street lighting to the Company's member municipalities and to the County without charge. Monthly billing is performed but, the municipalities and county are not required, at this time, to pay those bills. However, the municipalities and county pay the costs associated with the installation, repair or replacement of street light fixtures, bulbs and the associated materials. For the purposes of the 2015 Operating Budget, amounts have not been included for street lighting revenue.

COST TO SERVE

The HL&P Budget includes an estimate of the cost to serve its customers and these costs are segregated into four distinct areas.

1. Fixed Costs

Fixed costs represent the cost of ownership, take or pay obligations, administration and service associated with the ongoing business activities. These costs include, but are not limited to, renewals and replacements, direct operating and maintenance expense, purchased capacity, reserves and HL&P administrative and general expenses.

2. Debt Service Costs

Debt service costs include principal and interest.

3. Production, Transmission and Distribution

Production and transmission expenses are variable energy costs and are directly related to the cost of electricity purchased from suppliers or generated by Heber Light & Power assets. Distribution costs represent the expenses associated with renewing, maintaining and expanding the Heber Light & Power distribution system.

4. Scheduling, planning, metering, meter calibration and forecasting expenses

These costs include, but are not limited to, outside scheduling charges and administrative and general costs associated with metering, scheduling, collections, billing and marketing HL&P resources.

5. Administrative and General

HL&P administrative and general costs will include the following:

a. Functional Costs

These costs include, but are not limited to, outside scheduling charges and administrative and general costs associated with metering, scheduling, billing, collections and marketing HL&P resources.

b. General Liability Insurance

General Liability coverage includes officers and directors insurance.

c. Audit, Legal and Outside Services Costs

General audit, legal and outside services and study costs.

d. Board Fees

Director stipends and travel expenses

e. General Administrative Costs

General Administrative costs include:

- i. Cost of facility insurance, project audits, fees, equipment purchases and maintenance.
- ii. General Costs: These costs generally include labor and benefits, dues and subscriptions, training, equipment maintenance, office supplies, postage, public information, rent(s), telephone, travel, vehicle O&M, and miscellaneous.
- iii. Reserves: Reserves are assigned directly to the PTIF account.

SPECIFIC POLICIES

1. Generation Acquisition

HL&P is currently exploring the acquisition of additional resources for anticipated loads within the 10-year outlook. The Budget must set aside funds for the study and implementation of new resource acquisitions such as new gas generation, wind power, photovoltaic, biomass, geothermal, energy storage, demand side planning and nuclear.

2. Wages and Benefits

Salary ranges are determined by benchmark market surveys constructed triennially by a consultant. A new survey was approved in September and commissioned in October of 2014. A compensation strategy will be adopted at the conclusion of the study in early 2015, and any budgetary impacts will then be addressed and the Budget amended, if necessary. Subject to further adjustment upon completion of the study, the 2015 Budget includes:

- a. Freeze wages for those employees whose compensation is higher than the midpoint of their market;
- b. For those employees below the midpoint of their market range, establish a merit pool amount to remedy this shortfall, where reasonable, after the market study is concluded;
- c. Fund an incentive pool based on total management salaries to be disbursed by the General Manager for exceptional performance in 2014;
- d. Fully fund the General Manager's salary for 2015;
- e. Fund a Company Christmas Gift Program to be approved by the Board at the time of the award. Overall amount to be up to 10% of the monthly salary.

Benefits are fully funded by HL&P and include health, dental, life and disability insurance, pension, personal leave, holidays and other Company policy items.

3. Vehicles / Equipment

Vehicles and Equipment will be acquired or replaced under the following guidelines:

- a. Vehicles and Equipment should be purchased and resold with the objective of the least overall cost for transportation and operations.
- b. Vehicles and Equipment should be acquired locally utilizing the State Bid, if possible.

4. Training

Training must be related to the services provided by the employee or as required by the Company. Training location will have the following priority:

- a. In state;
- b. Western region;
- c. National

5. Travel

Employee travel on HL&P business will be reimbursed according to IRS guidelines and Company policy.

6. Capital Expansion

Starting in 2015, HL&P will begin utilizing a 10-year capital planning approach as opposed to the current 5-year approach. This change in philosophy is being driven by the increased need for future resource planning and system impacts as a result of continued strong local growth. The current regulatory environment may restrict the use of existing resource assets thus causing a shortfall to the

Company. These resources typically require a longer planning window than the present system will accommodate.

7. Community Involvement

Heber Light & Power will continue to take an active role within the communities throughout the service territory by providing funds, equipment, and personnel as requested and approved by the General Manager.

8. Miscellaneous

- a. Company will sponsor a Safety Incentive Program;
- b. Company will sponsor Employee Recognition events;

9. Contingency Fund

Beginning in 2015, an annual calculation of estimated reserve requirements will be completed and appropriate focus will be shifted to ensure adequate funding. As funds become available, Heber Light & Power will increase the balance of the Contingency Fund to cover the increased asset base of the Company in order to address certain large capital purchases and /or reserve requirements associated with internal generation, rate stabilization and power market escalation.

The Contingency Fund is currently, and will continue to be, invested in the Public Treasurers Investment Fund (PTIF). The Board shall approve withdrawals from the Contingency Fund, except in an emergency that does not allow for Board action. If funds are withdrawn from the fund at any time as required by the above, those funds used can then be returned to the fund when available through normal operating revenue.

APPROVED AND ADOPTED this 13th day of November, 2014.

Heber Light & Power Company